

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT  
  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2004**



**CHARLES J. WILLOUGHBY, ESQ  
INSPECTOR GENERAL**



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



October 5, 2005

Patrick J. Canavan, Psy.D.  
Director  
Department of Consumer and Regulatory Affairs  
941 North Capitol Street, N.E., Suite 9500  
Washington, D.C. 20002

Eugene Bentley, III, Ph.D.  
Chairman of the Board of Directors  
District of Columbia, Board of Professional Engineers  
941 North Capitol Street, N.E., Suite 7200  
Washington, D.C. 20002

Natwar M. Gandhi, Ph.D.  
Chief Financial Officer  
Office of the Chief Financial Officer  
The John A. Wilson building  
1350 Pennsylvania Avenue, N.W., Room 209  
Washington, D.C. 20004

Dear Dr. Canavan, Dr. Bentley, and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 05-1-15CR) of the net assets of the Department of Consumer and Regulatory Affairs-Professional Engineers' Fund for the year ended September 30, 2004, and the related statements of revenues, expenditures, and changes in net assets for the year then ended.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing required. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations, and would not have necessarily disclosed all weaknesses in the system. Additionally, we tested for compliance with the provisions of selected laws and regulations and found no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions.



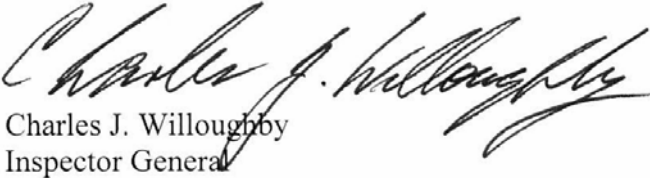
## **Unqualified Opinion on Financial Statements**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Consumer and Regulatory Affairs-Professional Engineers' Fund as of September 30, 2004, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

We have not found any major issues of internal control weaknesses or non-compliance with regulations that we consider material or reportable conditions during our fiscal year 2004 audit. However, we issued a final management letter, dated July 20, 2005, relating to issues noted in our fiscal year 2003 financial audit covering areas such as client waivers and cash receipts, where improvements can be made in the administration of the fund.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions, please call William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,



Charles J. Willoughby  
Inspector General

CJW/js

Enclosure

cc: See Distribution List



**DISTRIBUTION:**

The Honorable Anthony A. Williams, Mayor, District of Columbia (1 copy)  
Mr. Robert C. Bobb, Deputy Mayor/City Administrator, District of Columbia (1 copy)  
Ms. Alfreda Davis, Chief of Staff, Office of the Mayor (1 copy)  
Mr. Gregory M. McCarthy, Deputy Chief of Staff, Policy and Legislative Affairs (1 copy)  
Mr. Vincent Morris, Director, Office of Communications (1 copy)  
The Honorable Linda W. Cropp, Chairman, Council of the District of Columbia (1 copy)  
The Honorable Vincent B. Orange, Sr., Chairman, Committee on Government Operations,  
Council of the District of Columbia (1 copy)  
Mr. Herbert R. Tillery, Deputy Mayor for Operations (1 copy)  
Mr. Stanley Jackson, Deputy Mayor for Planning and Economic Development (1 copy)  
Mr. Neil O. Albert, Deputy Mayor for Children, Youth, Families, and Elders (1 copy)  
Mr. Edward D. Reiskin, Deputy Mayor for Public Safety and Justice (1 copy)  
Ms. Phyllis Jones, Secretary to the Council (13 copies)  
Mr. Robert J. Spagnoletti, Attorney General for the District of Columbia (1 copy)  
Dr. Natwar M. Gandhi, Chief Financial Officer (5 copies)  
Mr. Ben Lorigo, Executive Director, Office of Integrity and Oversight, OCFO (1 copy)  
Ms. Deborah K. Nichols, D.C. Auditor (1 copy)  
Ms. Kelly Valentine, Interim Chief Risk Officer, Office of Risk Management,  
Attention: Rosenia D. Bailey (1 copy)  
Mr. Jeffrey C. Steinhoff, Managing Director, FMA, GAO (1 copy)  
Ms. Jeanette M. Franzel, Director, FMA, GAO (1 copy)  
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives  
Attention: Rosaland Parker (1 copy)  
The Honorable Tom Davis, Chairman, House Committee on Government Reform  
Attention: Melissa C. Wojciak (1 copy)  
Ms. Shalley Kim, Legislative Assistant, House Committee on Government Reform (1 copy)  
The Honorable Rodney Frelinghuysen, Chairman, House Subcommittee on D.C.  
Appropriations (1 copy)  
Mr. Joel Kaplan, Clerk, House Subcommittee on D.C. Appropriations (1 copy)  
Mr. Tom Forhan, Staff Assistant, House Committee on Appropriations (1 copy)  
The Honorable George Voinovich, Chairman, Senate Subcommittee on Oversight of  
Government Management, the Federal Workforce, and the District of Columbia (1 copy)  
Mr. David Cole, Professional Staff Member, Senate Subcommittee on Oversight of  
Government Management, the Federal Workforce, and the District of Columbia (1 copy)  
The Honorable Richard Durbin, Senate Subcommittee on Oversight of Government  
Management, the Federal Workforce, and the District of Columbia (1 copy)  
Ms. Marianne Upton, Staff Director/Chief Counsel, Senate Subcommittee on Oversight of  
Government Management, the Federal Workforce, and the District of Columbia (1 copy)  
The Honorable Sam Brownback, Chairman, Senate Subcommittee on D.C. Appropriations  
(1 copy)  
Ms. Mary Dietrich, Appropriations Director, Senator Sam Brownback (1 copy)  
The Honorable Mary Landrieu, Senate Subcommittee on D.C. Appropriations (1 copy)



Ms. Kate Eltrich, Clerk, Senate Subcommittee on D.C. Appropriations (1 copy)  
The Honorable Susan M. Collins, Chair, Senate Committee on Governmental Affairs  
Attention: Johanna Hardy (1 copy)  
The Honorable Joseph Lieberman, Ranking Minority Member, Senate Committee on  
Governmental Affairs, Attention: Patrick J. Hart (1 copy)  
Mr. Clifford Cooks, OPLA Administrator, Department of Consumer and Regulatory  
Affairs (1 copy)  
Mr. Steve Russo, Agency Fiscal Officer, Department of Consumer and Regulatory  
Affairs (1 copy)



---

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

---

**TABLE OF CONTENTS**

	<b>Page</b>
Auditor's Report on Financial Statements .....	1
Statements of Net Assets.....	3
Statements of Revenues, Expenses, and Changes in Net Assets.....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters .....	9



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



Independent Auditor's Report

To the Director, Department of Consumer and Regulatory Affairs, Government of the District of Columbia; Chairman of the District of Columbia Board of Professional Engineers; and Chief Financial Officer, Government of the District of Columbia:

We have audited the accompanying financial statements of the Professional Engineers' Fund of the Government of the District of Columbia's Department of Consumer and Regulatory Affairs as of and for the year ended September 30, 2004. These financial statements are the responsibility of the Professional Engineers' Fund (PEF) management and the Office of the Chief Financial Officer (OCFO). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

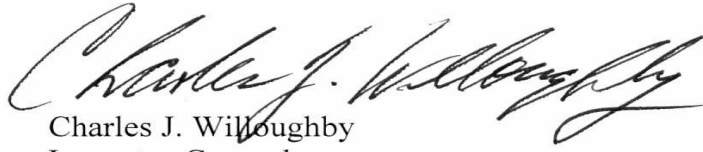
Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PEF as of September 30, 2004, the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2004, in conformity with accounting principles generally accepted in the United States of America.



Independent Auditor's Report  
Professional Engineers' Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2005, on our consideration of the PEF's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. A management letter detailing areas where improvements can be made in the administration of the Fund was issued July 20, 2005.



Charles J. Willoughby  
Inspector General

October 5, 2005



---

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

---

**STATEMENTS OF NET ASSETS**

<b>ASSETS</b>	<b>September 30, 2004</b>	<b>September 30, 2003</b>
<b>Current Assets:</b>		
Cash & Investments	700,401	429,134
Advances	49,582	46,185
Receivables	124,100	2,801
<b>Total Assets</b>	<u><u>\$ 874,083</u></u>	<u><u>\$ 478,120</u></u>
<b>LIABILITIES</b>		
Accounts Payable	145,267	3,034
Unprocessed Applications	49,582	46,185
<b>Total Liabilities</b>	<u>194,849</u>	<u>49,219</u>
<b>NET ASSETS</b>	<u><u>\$ 679,234</u></u>	<u><u>\$ 428,901</u></u>

The accompanying notes are an integral part of these financial statements.



---

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

---

**STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS**

	<b>September 30, 2004</b>	<b>September 30, 2003</b>
<b>Revenues</b>		
License Renewals	\$ 486,490	\$ 20,640
Other Fees	91,772	83,013
<b>Total Revenue</b>	<u>578,262</u>	<u>103,653</u>
<b>Expenses</b>		
Commissions	263,625	38,305
Membership Dues	8,750	8,150
License Fee Waivers		4,651
Travel	9,428	9,751
Other Expenses	46,126	-
<b>Total Net Expenditures</b>	<u>327,929</u>	<u>60,857</u>
Excess of Revenues over Expenses	<u>250,333</u>	<u>42,796</u>
<b>Net Assets at October 1</b>	428,901	274,025
Prior Period Adjustment (Note 6)	-	112,080
Adjusted Net Assets at October 1	<u>428,901</u>	<u>386,105</u>
<b>Total Net Assets at September 30</b>	<u><u>\$ 679,234</u></u>	<u><u>\$ 428,901</u></u>

The accompanying notes are an integral part of these financial statements.



---

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

---

**STATEMENTS OF CASH FLOWS**

<b>Cash Flows from Operating Activities</b>	<b>FY 2004</b>	<b>FY 2003</b>
Net Operating Income	\$ 250,333	\$ 42,796
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Advances	(3,397)	1,719
Decrease (Increase) in Prepaid Expenses	-	224,160
Decrease (Increase) in Accounts Receivable	(121,299)	4,452
Increase (Decrease) in Deferred Revenues	-	(336,240)
Increase (Decrease) in Accounts Payable	142,233	3,034
Increase (Decrease) in Unprocessed Applications	3,397	(1,719)
<b>Net Cash Provided by Operating Activities</b>	271,267	(61,798)
<b>Cash at Beginning of Year</b>	429,134	378,852
Prior Period Adjustment	-	112,080
<b>Cash at End of Year</b>	<u>\$ 700,401</u>	<u>\$ 429,134</u>

The accompanying notes are an integral part of these financial statements.



---

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

---

**NOTES TO THE FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies**

**(a) PEF Organization**

The District of Columbia Professional Engineers' Registration Act of 1950 established the Professional Engineers' Fund (Fund) of the District of Columbia Department of Consumer and Regulatory Affairs (DCRA). The Fund was established to account for the collection of application, registration, and related fees associated with professional engineers and engineers-in-training. This separate revenue fund is allocable toward those expenses, determined by the District of Columbia Board of Registration for Professional Engineers (the Board) to be necessary and proper.

The Mayor of the District of Columbia appoints the seven-member board. The Board has the responsibility of regulating the practice of engineering and land surveying; and provides for the licensure of qualified persons as Professional Engineers and Land Surveyors and for the certification of Engineering Interns and Land Surveyor Interns. It also has the additional responsibility of safeguarding life, health, and property, and of promoting public welfare, the practice of engineering, and the practice of land surveying in the District of Columbia. The Board is thereby subject to regulate in the public interest.

**(b) Basis of Accounting**

The PEF is maintained in accordance with the principles of fund accounting to ensure the observance of limitations and restrictions on the resources available. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, fund equity or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.



---

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

---

**(c) Special Revenue Governmental Fund**

The PEF is a special revenue governmental fund. Governmental funds are used to account for general activity of the government.

The PEF applies all GASB (Governmental Accounting Standards Board) pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**(d) Method of Accounting**

The Special Revenue Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this type of measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of the fund present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The Office of the Chief Financial Officer (OCFO) provides accounting services to the DCRA for the PEF. Revenue collections for the PEF are now accounted separately from the District of Columbia General Fund. The District of Columbia Government's accounting information system – System of Accounting and Reporting (SOAR) - was not utilized to track or identify the amounts of revenue of the PEF that were deposited to the General Fund until May 2001. The DCRA initiated a service contract to collect revenue for the registration and licensing of engineers in January 1999.

**(2) Revenue and Expense Recognition**

The engineers and surveyors renew their licenses every even year in August, except for new registrations and licensing, reinstatements, and requests for duplicate licenses. The last two renewal dates were August 2002 and August 2004. Renewal license revenues received in FY 2004 were for the license period September 1, 2004, through August 31, 2006. The OCFO does not defer revenues to future periods and therefore recognized renewals received as revenue in FY 2004. This will cause higher revenues and commission expenses in even years as compared to odd years.

The main categories of expenses of the PEF are commissions to the contractor, travel of the Board members, membership dues, publications, and meeting costs. No administrative overheads are currently charged to the PEF by DCRA.



---

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

---

**(3) Net Assets**

Net assets represent the amount of equity the PEF has accumulated since the audit of the fiscal year ended September 30, 2000, which was the first audit of the PEF. Before that audit, DCRA commingled all PEF receipts with other DCRA activity in the general fund. Because the opening balance could not be determined by reasonable audit procedures, a zero "net asset" balance was used. Currently, net assets total \$679,234.

**(4) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**(5) Advances or Unprocessed Applications**

Advances represent fees received by the contractor from applicants whose applications could not be processed because the applications were incomplete. These applications are not processed until all the required information is received. Until then, fees are not recognized as revenue. A corresponding liability is reported which equals the asset amount. The amount reported as of September 30, 2004, and September 30, 2003, was \$49,582 and \$46,185 respectively.

**(6) Prior Period Adjustment**

The basis for accounting for license fees and contractor expenditures related to processing applications was changed in FY 2003. License fees which had been recognized on a deferred basis during FY 2002 are now recognized when cash from application fees is realized. Similarly, commission expenses are recognized when the contractor receives its fees. Journal entries were made in FY 2004 to reverse entries that established deferred revenue and prepaid commission balances in SOAR.



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Director, Department of Consumer and Regulatory Affairs, Government of the District of Columbia; Chairman of the District of Columbia Board of Professional Engineers; and Chief Financial Officer, Government of the District of Columbia:

We have audited the financial statements of the District of Columbia Professional Engineers' Fund (PEF) as of and for the year ended September 30, 2004, and have issued our report thereon dated October 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

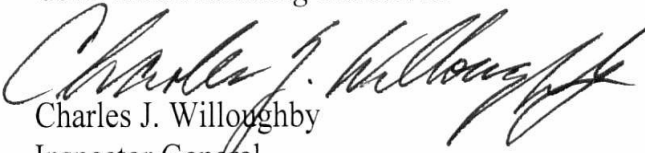
In planning and performing our audit, we considered PEF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we issued a management letter, dated July 20, 2005, covering areas where improvement is needed in the administration of the Fund.



## Compliance

As part of obtaining reasonable assurance whether the PEF financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Charles J. Willoughby  
Inspector General

October 5, 2005